

AR52

Canada Bread Company, Limited Annual Report

FOR THE FISCAL YEAR ENDED JUNE 26, 1965

Canada Bread Company, Limited



DIRECTORS

HARRY N. BAWDEN NORMAN T. CURRIE J. D. LEITCH
G. M. MacLACHLAN H. B. MANNING W. T. MURCHIE C. E. SOWARD

CORPORATE MANAGEMENT

NORMAN T. CURRIE, President and General Manager
R. H. BONUS, Vice-President
F. BOGDEN, Vice-President—Sales
L. D. IRWIN, Secretary-Treasurer

G. H. BENNETT, Controller
L. V. FAYLE, Director of Marketing
W. J. LEWICKI, Production Supervisor
J. E. MARROTT, Account Sales Director
F. PAMENTER, Manager, Industrial Relations
L. S. WHITE, Ph.D., Director of Product Development

AREA MANAGERS

F. N. FRANCIS, Toronto — L. S. DAVIES, Sales, Toronto
A. E. HAYWOOD, Sudbury D. G. HICKINGBOTTOM, Windsor E. A. LEESON, London
A. McDOUGALL, Montreal G. L. PROWSE, Ottawa

AUDITORS

CLARKSON, GORDON & CO., Toronto

REGISTRARS AND TRANSFER AGENTS

EASTERN & CHARTERED TRUST COMPANY, Toronto, Montreal

MONTREAL TRUST COMPANY, Winnipeg

BOND TRUSTEE

EASTERN & CHARTERED TRUST COMPANY, Toronto

DIRECTORS' ANNUAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 26th, 1965.

TO OUR SHAREHOLDERS

This year both sales and profits again reflected the results of your Company's improved marketing policies, the investment in modernizing production facilities and, above all, the continuing increase in the demand for ToastMaster products.

We are happy to report that, for the year ended June 26, 1965, net profit after income taxes increased by 24% over the previous year which was, itself, one of the best in our history. The figures: \$655,441 compared with \$528,606.

Earnings per common share increased from \$1.53 to \$1.95 and as a result, dividends were increased from 25 cents to 40 cents per common share—the second successive increase over the 10 cents per share paid in 1963.

While our increased sales may be attributed, to some extent, to such general conditions as expanding population, it is gratifying—and significant—that your Company's sales again increased at a much faster rate than the average for the industry as a whole.

Capital expenditures for buildings and bakery equipment for the year continued at a high level, totalling \$676,994. This rate of investment has been maintained for the past several years and, as already mentioned, has contributed substantially to the improved results. It will be necessary



to continue to invest at this rate in order to keep improving our position in this highly competitive and rapidly changing industry.

Because of these conditions, your Company will continue to stress new product development and increase advertising and other sales promotion activities.

The vitality of the industry itself and the increasingly dominant position of your Company in the industry indicate that more frequent financial reports to shareholders are required. Accordingly, your Board has decided to supplement the annual report with a semi-annual statement.

In this summary, particular reference has been made to the importance of marketing, capital investment and consumer acceptance of our prod-

ucts. The effect of these factors, however, is entirely dependent on the people who make up the Company.

In this respect, Canada Bread Company, Limited is especially fortunate. Ability, energy, loyalty and morale among employees and franchise dealers are all of a very high order. This had a major influence in the results of the past year and provides a solid basis for optimism about the future.

For the Board of Directors,

PRESIDENT

CONSOLIDATED BALANCE SHEET / CANADA BREAD COMPANY

JUNE 26, 1965

(with comparative figures at June 27, 1964)

ASSETS

	1965	1964
Current:		
Cash - - - - -	\$ 1,043,769	\$ 748,274
Accounts receivable - - - - -	1,990,978	1,645,178
Inventories of ingredients, finished products and supplies, valued at the lower of cost or market - - - - -	1,123,222	1,265,681
Prepaid expenses - - - - -	212,727	215,683
Total current assets - - - - -	4,370,696	3,874,816
Investment in McGavin ToastMaster Limited (at cost):		
402,500 fully paid non-assessable non-voting Class A common shares without par value - - - - -	402,500	402,500
Mortgages and sundry assets - - - - -	108,068	103,331
Fixed:		
Land—cost - - - - -	363,477	361,477
Buildings—cost - - - - -	3,665,450	3,474,229
Bakery and other equipment—cost - - - - -	10,234,223	9,882,148
	14,263,150	13,717,854
Less accumulated depreciation - - - - -	7,437,519	6,851,001
	6,825,631	6,866,853
	<u>\$11,706,895</u>	<u>\$11,247,500</u>

On behalf of the Board:

NORMAN T. CURRIE, *Director*

C. E. SOWARD, *Director*

(See accompanying notes to the financial statements)

AUDITOR

To the Shareholders of Canada Bread Company, Limited:

We have examined the consolidated balance sheet of Canada Bread Company, Limited and its subsidiary companies as at June 26, 1965, and the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus per share for the year ended June 26, 1965. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary.

In our opinion the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus per share on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period, present a true and fair view of the financial position of the company and its subsidiary companies at the end of the year and of their results of operations for the year.

Our examination also included the accompanying statement of consolidated source and application of funds which, in our opinion, presents a true and fair view of the financial position of the company and its subsidiary companies for the year ended June 26, 1965.

Toronto, Canada,
August 10, 1965.



MITED (INCORPORATED UNDER THE LAWS OF ONTARIO) AND ITS SUBSIDIARY COMPANIES

LIABILITIES

	1965	1964
Current:		
Bank loans and overdrafts (partly secured) - - - - -	\$ 777,638	\$ 729,477
Accounts payable, wages and other accrued charges - - - - -	1,477,144	1,373,647
Payable to affiliated company - - - - -	496,208	516,270
Estimated income taxes payable - - - - -	421,689	313,424
Dividends payable - - - - -	140,541	95,328
Sinking fund instalment due within one year - - - - -	124,000	109,000
Current instalments of deferred liabilities - - - - -	130,000	132,100
Total current liabilities - - - - -	3,567,220	3,269,246
Deferred liabilities (note 2) - - - - -	627,000	757,000
Funded debt (note 3) - - - - -	1,427,500	1,617,500
Deferred income taxes - - - - -	948,000	774,000
Minority interest in subsidiary companies - - - - -	80,288	242,019
Shareholders' equity:		
Capital (note 4)—		
Authorized:		
50,000 preference shares with a par value of \$49 each, issuable in series		
1,000,000 common shares of no par value		
Issued:		
25,000 \$2.75 cumulative preference shares, Series A, redeemable at \$52.75 per share - - - - -	1,225,000	1,225,000
300,535 common shares - - - - -	52,675	50,000
	1,277,675	1,275,000
Earned surplus - - - - -	3,779,212	3,312,735
	5,056,887	4,587,735
	<u>\$11,706,895</u>	<u>\$11,247,500</u>

(dated financial statements)

REPORT

1965 and the statements of consolidated profit and loss and earned surplus for the fifty-two week period ended on that date. Our examination considered necessary in the circumstances.

fairly the financial position of the companies as at June 26, 1965 and the results of their operations for the fifty-two week period ended

considered in relation to the aforementioned consolidated financial statements, presents fairly the sources and applications of funds of the

CLARKSON, GORDON & CO.
Chartered Accountants

CANADA BREAD COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

FIFTY-TWO WEEK PERIOD ENDED JUNE 26, 1965

(with comparative figures for the period ended June 27, 1964)

	1965	1964
Profit after providing for minority interest in profits of subsidiary companies but before the following - - - - -	\$2,500,340	\$2,144,167
Deduct (add) :		
Depreciation - - - - -	748,266	733,589
Employees' pension plan contribution - - - - -	62,906	107,510
Interest on funded debt - - - - -	76,860	85,190
Interest on deferred liabilities - - - - -	70,631	79,338
Remuneration of directors as such - - - - -	10,000	10,500
Profit on purchase of sinking fund bonds - - - - -	(3,764)	(7,566)
	964,899	1,008,561
Profit for period before income taxes - - - - -	1,535,441	1,135,606
Income taxes (including \$174,000 deferred income taxes in 1965) - - -	880,000	607,000
Net profit for period - - - - -	\$ 655,441	\$ 528,606

STATEMENT OF CONSOLIDATED EARNED SURPLUS

FIFTY-TWO WEEK PERIOD ENDED JUNE 26, 1965

(with comparative figures for the period ended June 27, 1964)

	1965	1964
Balance, beginning of period - - - - -	\$3,312,735	\$2,834,766
Add :		
Net profit for period - - - - -	655,441	528,606
Adjustment of deferred income taxes, prior years - - - - -		52,000
Profit on disposal of fixed assets - - - - -		41,113
	655,441	621,719
	3,968,176	3,456,485
Deduct :		
Dividends—		
On \$2.75 Series A preference shares - - - - -	68,750	68,750
On common shares (1965—40¢ per share ; 1964—25¢ per share) -	120,214	75,000
	188,964	143,750
Balance, end of period - - - - -	\$3,779,212	\$3,312,735

CANADA BREAD COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES



STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

FIFTY-TWO WEEK PERIOD ENDED JUNE 26, 1965

Funds provided:

Net profit for the period	- - - - -	\$ 655,441
Depreciation charged to operations	- - - - -	748,266
Deferred income taxes	- - - - -	174,000
Book value of fixed asset disposals	- - - - -	214,979
Issue of share capital	- - - - -	2,675
		<u>1,795,361</u>

Funds expended:

Fixed asset expenditures—		
Buildings and bakery equipment	- - - - -	676,994
Distribution equipment	- - - - -	245,029
Reduction of funded debt	- - - - -	190,000
Reduction in deferred liabilities	- - - - -	130,000
Reduction in minority interest	- - - - -	161,731
Dividends to shareholders	- - - - -	188,964
Increase in mortgages and sundry assets	- - - - -	4,737
		<u>1,597,455</u>
Increase in working capital	- - - - -	<u>\$ 197,906</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 26, 1965

1. The companies lease certain properties for annual rentals aggregating \$91,000 under long-term leases extending to various dates from 1976 to 1986.

2. Deferred liabilities:

Bank loans payable 1966-1968	- - - - -	\$ 625,000
Mortgage payable, 6% due 1965-1966	- - - - -	32,000
Notes and loans payable, due 1965	- - - - -	100,000
		<u>757,000</u>
Less current instalments included in current liabilities	- - - - -	130,000
		<u>\$ 627,000</u>

3. Funded debt:

First mortgage bonds—

Authorized:

\$5,000,000 less \$1,806,000 redeemed and cancelled - - - - - \$3,194,000

Outstanding—Series A:

4¼% sinking fund bonds due 1967 - - - - - \$1,444,000

Less sinking fund instalment due within one year included in current liabilities - - - - - 124,000

1,320,000

Series A 6% debentures of subsidiary companies due 1968-1970 - - - - - 107,500

\$1,427,500

4. During the year options, granted in the previous year, were exercised for 535 common shares at \$5 each, options to purchase 2,320 common shares at \$5 each were cancelled and options were granted to certain officers and employees of the company to purchase 7,500 common shares at \$9.50 per share. At June 26, 1965 options were outstanding for 5,595 common shares at \$5 each and 7,500 common shares at \$9.50 each.

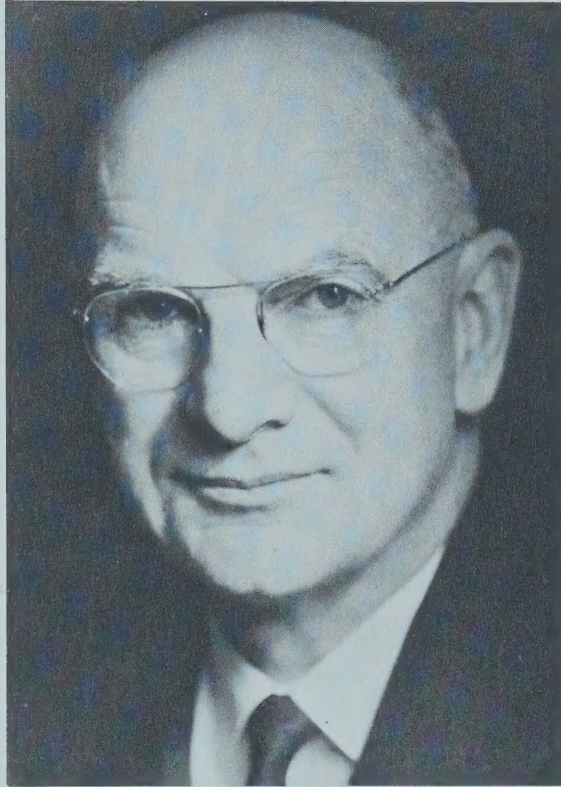
These options which expire ten years after the granting thereof are exercisable each year to the extent of 10% of the total number of shares covered by the option and contain provisions for termination on cessation of employment.

CANADA BREAD COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES

FIVE YEAR COMPARISON

	1965	1964	1963	1962	1961
Operating Profit - - - - -	\$2,431,198	\$2,033,723	\$1,521,040	\$1,607,465	\$1,591,493
Depreciation - - - - -	748,266	733,589	728,324	626,742	640,383
Interest on long-term debt - - -	147,491	164,528	150,580	143,090	153,336
Income taxes - - - - -	880,000	607,000	387,500	475,000	469,561
Net Profit - - - - -	<u>655,441</u>	<u>528,606</u>	254,636	362,633	328,213
Number of Common Shares Outstanding - - -	300,535	300,000	300,000	300,000	300,000
Earnings per Common Share -	<u>1.95</u>	<u>1.53</u>	.62	1.00	.89
Dividends declared per Common Share - - - - -	.40	.25	.10	.10	.10



A distinguished business career ended on November 4th, 1964 when Lieut.-Col. Donald Alexander Ross, F.C.A., died in Toronto at the age of 64. Mr. Ross was President and General Manager of Canada Bread Company, Limited from 1951 until his death. An able and respected executive who led the company to its present position, he will be sadly missed by all who had the pleasure of knowing and working with him.



